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Resource Adequacy in MISO Zone 4
Outline for January 30, 2018 Comments

I. Resource Adequacy Standards

- A. How should resource adequacy be defined and how does resource adequacy compare with or contrast with resiliency and reliability?

Resource Adequacy should be defined by the ability of in-state resources to meet in-state needs. What is at stake is the capacity of Illinois energy generators to meet the needs of Illinois-based manufacturers, commercial and residential users. The MISO construct distorts the question of Illinois adequacy given that only a portion of our state is the only deregulated area within MISO.

Whereas, resource resiliency and reliability, should be an integral part of the equation when determining adequacy and would best be drafted by a competitive energy provider to consider the entire resource adequacy in Illinois, not just in MISO Zone 4. The MISO construct distorts the question of Illinois adequacy given that only a portion of our state is the only deregulated area within MISO.

- B. What entities currently address resource adequacy, how do they do so, and how sufficient are such current measures?

While MISO serves as an excellent trading platform for regulated states, it currently is not an appropriate fit for our deregulated downstate energy producers in this marketplace.

II. Resource Adequacy Measurement

- A. How much generation is currently available to meet Zone 4 resource adequacy requirements?
B. What generation resources formerly meeting Zone 4 resource adequacy requirements have recently been lost due to retirement, derating, declining capacity factor, or otherwise?

Due to the lack of pricing in the marketplace that reflects the actual costs of producing energy, the downstate Illinois energy producing fleet has experienced closures (ex. Meredosia) and many examples of decreased capacity (ex. Newton, Coffeen) that has resulted in hundreds of lost jobs. The distorted market led to these decisions.

The employment and energy generation reductions seem to be a trend since the deregulation act in the 1990s. The first decade of "price freeze" created an environment that stifled competition from building new

plants (ex. Natural gas-fired plants) or innovating existing coal-fired facilities. The clean coal initiatives under the Ryan Administration prompted installation of technologies at some facilities such as Coffeen.

Another factor was the divestiture of energy generation by Ameren and its focus on transmission, which allowed the company to position itself as a “provider” of energy – while bidding in way below cost in the MISO marketplace. At the same time, the company sought rate increases to essentially be able to maintain and upgrade systems they had not been able to reinvest in during the Illinois legislated ‘price freeze.’ From a consumer perspective, it seems to make more sense to allow for some annual or biannual movements in prices instead of a 10% or more jump as we saw after the term of the legislation brokered in the 90’s.

- C. What current generation resources available to meet Zone 4 resource adequacy requirements are at risk of becoming unavailable going forward and what are the implications of the loss of such resources?

In the absence of a trading platform that allows for companies to cover their costs and earn a profit on producing energy, there are at least eight coal-fired power plants that are at risk of closure.

- D. What are the prospects for new generation resources becoming available to meet Zone 4 resource adequacy going forward?

Examining this question from a financial perspective:

Current renewable energy prospects rely heavily, or solely, on government incentives for installation and construction. Given the uncertain nature of Illinois budget, concerns are high that these renewable resources will not be able to support themselves without a heavy investment from the state.

Examining this question from a physical feasibility perspective:

The physical footprint of “renewables” required to replace the energy generating output of these plants is not feasible. In Montgomery County alone, more than 300 square miles of wall-to-wall solar panels would be needed to produce the same amount of electricity as the Coffeen power plant (assuming 5 hours a day of sunshine year round). Regarding wind energy, our county is not “prime” wind-speed area. At least 800 wind turbines (rated at 1000 Kilowatts) would be needed to replace the energy generated by the plant and that is assuming 5 mph winds every day of the year with all turbines turning.

Common sense tells us that 300 square miles of solar panels would lead to increased thermal activity and changes in local habitat. Almost half the county would be covered in panels and that does not account for storage cells and any transmission connections.

On a commercial and residential level, the prospect of solar or wind energy is to be analyzed on a case-by-case basis. For example, small 20 kW solar panel installations in our area are only economically feasible due to the credits issued by the state of Illinois and that our energy transmission provider, Ameren, allows us to accrue the credits over a year to apply toward our peak bills of October and November. Electric cooperatives cannot offer the same time period for credits to accrue; therefore, making it much more difficult to justify installing solar at facilities receiving power through cooperatives’ infrastructure. Will Illinois commit to subsidizing the build out of the pipelines and construction of new gas-fired plants? No.

The coal burning power plants in MISO Zone 4 are not looking for incentives. We are asking, through this legislation, that they be on a level playing field in this market, enabling them to compete with the other power supply generators.

- E. What non-generation resources are and may be available to meet resource adequacy and how do such resources impact resource adequacy?

We are referred to as a crossroads for both transportation disbursement of electricity throughout the Midwest and to the east coast. There is no doubt we could continue import electricity; however, if we continue to allow our electric generating ability to be poached we will become an end user instead of a generating community. We will be vulnerable to shortages, outages, job loss, tax loss and indirect negative financial impacts totaling more than \$2 BILLION.

- F. How well do existing programs and initiatives predict future resource adequacy?

Unfortunately, through no fault of MISO who currently provides prediction information, they are not able to factor in the price impact to consumers if the eight coal generating power stations in MISO Zone 4 were to close; nor, the economic impact the retirement of these stations would have on downstate Illinois. Even without adding in the variables listed above, the resource adequacy predictions cannot accurately address the available resources due to the amount of future volatility. (A few examples include the continued ability for other states to bid into our market, the amount and longevity of incentives offered for renewable resources, the available land area to produce possible renewable resources and fluctuations in nature gas markets.)

III. Market Design Impact on Resource Adequacy

- A. What alternative opportunities are available to resources that could otherwise be used to meet resource adequacy in Zone 4 and how do these opportunities impact Zone 4 resource adequacy?
- B. How does the transmission system impact resource adequacy?

The impact of new transmission systems designed to transport intra-state renewables has a negative impact on land use, property values, multiple use frameworks for land (i.e. farming), and eye appeal.

- C. How do facilities owned by municipals and cooperatives affect resource adequacy?

Cooperatives in Illinois are not able to offer the same terms as publicly traded utilities with larger service territories (read, "cherry-picked urban and industrial areas") when it comes to accruing the benefits of solar and wind generation.

- D. How does bilateral contracting, self-supply, and fixed resource adequacy planning affect resource adequacy?

In the absence of government subsidies, green energy is not economically feasible.

- E. How do so-called out-of-market revenues (revenues separate and apart from those obtained in wholesale markets (e.g., Zero Emission payments or renewable energy credits) impact resource adequacy?

Renewable energy credits play a large role in making a project "bankable." Without these credits, projects are not feasible.

IV. Scope

- A. Please provide commentary on any relevant substantive or process issue you believe has not been adequately captured in the Sections above.

The economic context for this conversation has not been adequately considered in the process. The fact that Illinois is home to THE cleanest coal-fired power plant in the world is an ASSET that the entire state should be protecting! \$2 Billion of direct and indirect economic impact throughout downstate Illinois is a cornerstone of our downstate economy. Cheap energy has been one of the few selling points Illinois has from a business recruitment standpoint. That is the result of these plants generating a lot of energy with a skilled workforce. It is not simply a byproduct of manipulated markets.

In addition, examination of this legislation does not include the impact on downstate Illinois economy, which is as vital to the sustainability (as much as the energy itself) of:

- *jobs (with that goes the reverse multiplier effect),*
- *taxing bodies (such as schools, municipal/county government and police/fire protection districts),*
- *tourism (Coffeen Lake),*
- *and the loss of the remarkable Dynegy employees who are an integral part of our communities.*

We believe that the Governor needs consider the economic impact on Downstate.

We believe our General Assembly members should acknowledge this downstate economic importance as well, as this is one of our few remaining assets. The negative economic impact on downstate Illinois, if this legislation does not pass, will eventually be felt throughout the whole state as downstate will fight for every penny it can get to make up for its losses.

V. Potential Policy Options

- A. What changes, if any, should be made to better enable measurement and assessment of what resources are available to meet Zone 4 resource adequacy requirements?

We would like fair legislation that would allow coal power stations to compete on a level playing field in this market.

Both the energy generators and the industrial users have referenced specific recommendations to improve MISO's survey process.

Changing to a three-year contract from the current 6-month contracts would greatly improve planning.

Exploring price floors and price ceilings for the capacity market seems to be a conversation that will be chaired by the Power Authority – in the absence of having a marketplace where the rules are the same for all power generators. While the function of floors and ceilings is to manage risk, it also serves to dampen innovation and reinvestment over time. Even this option, however, is better than closing the plants.

Potential policy options also need to consider the economic importance of these downstate coal power generating stations.

The eight plants and corporate office employ 1,400 people directly and 800 union positions that subcontract specialized work at the eight plants.

3,200 well-paying jobs in downstate Illinois are at risk due to the convoluted pricing structure that is in place.

Property tax rolls have already felt the impact of reduced property valuations based on the sale of the plants from Ameren to Dynegy. Local employment and indirect spending have felt the negative impact due to layoffs and reduced energy production because of the lack of profitability.

- B. What changes, if any, should be made to MISO's capacity construct including to the MISO planning resource auction to better ensure resource adequacy?

Longer and multiple time horizons for contracts.

- C. What changes, if any, should be made to MISO's energy or ancillary service constructs that would help maintain resource adequacy?
- D. What actions should the Illinois Commerce Commission and/or the Illinois Power Agency take, if any, to address resource adequacy assuming no new legislative authority?
- E. What actions should the Illinois General Assembly take, if any, to address Zone 4 resource adequacy?

Pass House Bill 4141 and Senate Bill 2250; (OR, allow all of Illinois to participate in the PJM market – that would be the first choice). Additionally, Illinois should highly consider tariffing all energy coming into this market (and state)!

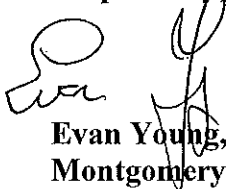
- F. Please describe any additional potential policy option(s) you would like to see considered or that you would recommend not be considered.

"No Action" is not an option. Dynegy will ultimately follow the path for its own corporate interest; however, it is important to all of Illinois to have a capacity market that allows companies to be profitable. For the past several years, the companies operating in MISO Zone 4 in downstate Illinois have not even had a chance to break even. The system is fundamentally flawed.

- G. Is it important for any selected policy option to be market-based? If so, why? If not, why not?

Market-based sounds great in theory; however, it does not seem that any option can be truly market-based given the disparities between regulated states and deregulated states in addition to the disparities created in our own internal policy environment between regions of Illinois.

Respectfully,



**Evan Young, Chairman
Montgomery County Board**



**Megan Beeler
Vice Chairman and
Finance Committee Chairman**